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# **Administration of Workmen's Compensation Benefits under the Michigan Law—Methods of Pro- cedure—Labor's View Point**

**BY CLAUDE O. TAYLOR**

**President of the Michigan Federation of Labor**

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# ADMINISTRATION OF WORKMEN'S COMPENSATION BENEFITS UNDER THE MICHIGAN LAW—METHODS OF PROCEDURE—LABOR'S VIEW POINT.

By CLAUDE O. TAYLOR.

Mr. Chairman, Gentlemen of the convention, and Ladies: First I want to thank you for the invitation extended to me to attend this convention and give labor's view point, regarding the compensation law of Michigan, also I desire to say that I am sincerely grateful for this opportunity to present the view point of organized labor. The subject assigned to me is the "Administration of Workmen's Compensation Benefits Under the Michigan Law—Methods of Procedure—Labor's View Point." I have not made a special study of the specific provisions of any workmen's compensation law except that of Michigan, but I have devoted much time to the consideration and study of the fundamental theory and philosophy of Workmen's Compensation, and it is upon these fundamentals that I am going to base my remarks. In showing labor's view point regarding compensation, let me go back to the first steps taken towards the adoption of a compensation law in Michigan. If I digress in my remarks, I do so only in order to bring out some point which I wish to make clear.

The Michigan Federation of Labor was organized twenty-four years ago this coming September. We do not know where the theory or philosophy of workmen's compensation originated, but I dare say, without fear of successful contradiction, that it originated in either the mind of the man who worked or in the mind of a sociological student, and not in the mind of an employer. For years, we workmen struggled and fought for one thing only, the improvement of working conditions through active measures working towards the elimination of accidents, but our efforts, to bring down to a minimum the number of accidents through prevention, were unsuccessful until a method of bringing this about through a workmen's compensation law became clear to us. I want to say to you, gentlemen, that one man is just as dear to his family as another whether he works at the most menial labor, or whether he holds the highest office in the country. Compensation does not take the place of the man who is injured or meets death, but it does accomplish, what for years we struggled to obtain, accident prevention. This was what we desired and to accomplish it we had to work upon the theory of profit and dividends and financial return to the man who owned the plant or machinery with which we worked, and we struggled for a compensation law because such a law provided an opportunity to bring financial return to the employer



who endeavored to and did eliminate accidents. As we struggled therefore, for compensation for the injured employee, we were not using our energy or efforts to bring about only compensation for the injured employee. We fought for a law that would prove to the employer that it was more economical for him to prevent accidents than to pay that compensation. Upon that theory we worked for years. Finally it became the trend of the times. We kept saying to the employer, employee, and the politicians, that they must give to the working man some law which would force the prevention of accidents.

Now as to the history and method in which the Michigan Law was framed and adopted. Just before this law was put upon our statute books there were some thirteen different laws relating to this question presented to the legislature of the State of Michigan. Not one was accepted as there was not one of them that was equitable to both employer and employee. They were either too good for the employer and bad for the employee or vice versa, but out of their presentation came co-operation; and I want to say right here that I am a firm believer in co-operation. Co-operation spells success. You have brought out the need for co-operation many times during your present sessions in this city, and I wish to commend you for your endorsement of the idea of co-operation in deciding troublesome questions. In Michigan all men interested in a compensation law got together and drafted an act which provided for a commission that was to study compensation laws and report their findings to the next session of the legislature. This commission was formed, and, to show you that it was a co-operative commission, the then governor of Michigan appointed as its members, one manufacturer, two corporation attorneys and two members of organized labors. The secretary of the commission was also a card man. In the eight months during which they met and drafted a report, there was only one vote taken. The report was drafted on a basis of give and take,—co-operation,—to give to each party everything they were entitled to without robbing the other. When that commission met and made its report to the legislature, the bill it reported was enacted almost without change by an almost unanimous vote in both houses, and was signed by the governor. There were just two votes in both houses against that law. Less than six months after the law became operative,—to show you that the theory of organized labor in the State of Michigan was correct,—there was held in the City of Lansing a conference of employers, employees, attorneys and insurance men. The result of that conference was the appointment of a permanent committee for the purpose of studying accident prevention and taking necessary steps to eliminate as many accidents as possible. This occurred less than six months after the enactment of the Michigan compensation law and proved to us that the theory we had promulgated for at least 20 years, was correct. In speaking of the success

of our law, I cannot but mention the present Industrial Accident Board, which continues our idea of co-operation and is entitled to a great deal of credit for its success. The members of that board, one a very prominent attorney in the State of Michigan, another a member of organized labor, and the third man—I cannot really say why he should have been appointed except in the spirit of justice—an Episcopal minister, are firm believers in co-operation, and much credit is due them for their successful administration of our law.

I recently had occasion to read an address delivered by your chairman. If I should criticize any remarks or statements made by any of your members or delegates, I do so with the utmost courtesy but with the feeling that I must be plain because I am responsible for sixty thousand members of our organization in the State of Michigan. In your chairman's address he spoke of malingering upon the part of employees under certain forms of insurance of compensation. That there may be some of this may be true, but if every employee in the State of Michigan would malingering for at least six months would he, in justice, receive one-half of what those who never received anything before the law was enacted were entitled to? One of the objections on the part of the business man regarding the adoption of the compensation law was that it would make necessary a change in the conduct of his business. Any reform that meant a change in this respect might mean a loss of dollars and cents. Organized labor does not make this its view point. Organized labor stands only for fundamental principles. Organized labor has made mistakes, but no more than have been made by any other element of society.

To go back to the old liability law of which we have heard so much, during the last few days, and of the criticism against casualty and accident insurance companies under that law, I want to say that in its fundamentals that law was just as equitable for us who were under it as the present compensation law. But don't misunderstand me. While the law is just as just, the employee did not receive as much justice. Liability insurance may have been an outgrowth of that law, but it was only one of the incidents of that system. The employer might be blamed for certain phases of the system; but the one phase that was worst of all,—and you may think my remarks are bitter, yet they are plain facts,—was that most despicable kind of man, the ambulance chasing lawyer; who had no thought for the injured, the widow, or the orphan, but was thinking only of the dollars and cents he would get out of accidents in case of injury or death. I once heard a man remark that society was to blame for the old system. I cannot agree with him. Society is made up of all elements of mankind. It should only be blamed for not changing conditions sooner. The only ones to blame for the old system are the ones directly interested; the employer, the insurance company, and the



ambulance chasing lawyer, who, as I have said before, was the chief cause and is the most despicable in my mind of all mankind. Society should not be blamed for what any one, two or three elements of it may be. Society should only be blamed for such acts as are acts of society as an entirety. Let me bring out another illustration. After the passage of the compensation law in the State of Michigan, articles with large headlines were published in nearly every daily paper in Michigan stating that certain companies were going out of business because insurance rates were so high under the compensation law. They were making a great endeavor to stir up criticism against the law. At the conference at Lansing I stated to those present that it was my opinion that any time that a firm or corporation had to live off the lives and injuries of its employees, it was time that that industry should cease to exist, and I reiterate now that any time a firm or corporation must use the lives and injuries of its employees, as its basis for existence it is time for that industry to cease to exist.

All of this relates back to the proposition that I have endeavored heretofore to present to you, which is simply this, that any law or system of law can only be successful where there is fair co-operation; and while my subject confines me to the law of Michigan, I wish to offer this suggestion to you. You have, during the last three days, brought out the subject of co-operation many times along different lines. I want to suggest to you, that in the United States, there are over two million laboring men organized under the banner of the American Federation of Labor; besides this there are nearly two million members of organized labor in railway employments, and another five hundred thousand in three different organizations not affiliated with the American Federation of Labor. Nearly every state has a state body, and nearly every principal city has its central body. I wish to suggest to the insurance men at this convention, that if they will co-operate with those bodies by communication through letter or personal interview, offering an open, fair and square proposition to organized labor upon any matter in which they require co-operation, they will be surprised at the reception that they will receive. Organized labor is a big factor in many matters in the United States. If not treated fairly by the politicians, the remedy of the working man is the vote. If you have a proposition to present to the man who works, and if your proposition is fair and square, open and above board, I will guarantee that he will listen to it. They may have objections to some phases of your proposition and they will tell you why, and you will then be able to know what parts of it you may need to correct. If the politician does not treat you fairly and your matter is one that is just, and one in which you are entitled to fair treatment, come to us and we will handle the politician. I offer this as a suggestion coming from organized labor,—co-operation,—and you will find, as I have said before, that in such

co-operation there will be success. You will find in any matter that there is always a common ground upon which all men can meet. In the past we have perhaps been separated and far apart, neither side knowing what the other side thought or desired to accomplish, but by co-operation in the future; you, as well as we, may assist in working out for labor, employer and yourselves, a fair and square proposition, one that is open and above board, and you, as well as organized labors, may realize the benefits therefrom.

Referring again to the administration of the law of Michigan, I want to take up the four methods by which an employer can insure himself. You are all familiar with those, perhaps more so than I am, but I am going to endeavor to give as I understand it, labor's view point with reference to these four methods. The first is self-insurance, allowing any employer, if he can prove to the Industrial Accident Board that he is solvent and can carry his own risk, the right to make his own payments to his employees. If we had but a single method, this would be the worst form. Personally, I prefer and believe most members of organized labors do, although some do not, that four methods of insurance under a compensation law are better than three or two or one. Mutual insurance, the second method, by which companies or industries join together to mutually carry their risk, is only one step in advance of self-insurance. I really believe it almost as bad as self-insurance if there be but a single method provided, for the reason that it would place too much power in the hands of the employer directly and be subject to abuse. It would drive the employee into a refusal to accept compensation, and cause him to return to the old system or work out some new theory by which he can be better protected. The third method is state insurance. This may be divided into two kinds. One is the creation of a fund contributed to and paid by the employer and administered by a state board. The other is the payment of indemnities out of a general fund paid by general taxation. This second form, I believe would not meet with approval, especially in a state like Michigan, because of the fact that our rural legislators are always fighting against taxation and are paying their taxes grumblingly. Right here I want to say that there is some agitation in the State of Michigan for state insurance and when I ask your co-operation as I did earlier in my talk, I do so because I know that organized labor desires to know all sides and will be wise enough to adopt the best plan for its members and the workers in general.

Personally, I like all four forms of insurance. I believe in competition, but only so far as competition is equitable for all concerned. I do not believe in competition in labor and if I may digress just a moment will explain my reason for that. Labor is not a business in the accepted sense of that word. The working man has nothing to sell except his labor. He therefore should not be forced into



competition which may deprive him of the right to life, liberty, and the pursuit of happiness. I do not believe in competition in business, where the man who has invested his capital is so jeopardized by keen competition that he would not receive a fair profit on the money invested; but I do believe in competition which is square for all concerned, competition in which the employer receives a fair return of profit, and the employee and public also receive a fair return of profit. With due respect to the opinions of others regarding the insurance question under a compensation law, if we were to have only one form of insurance, I, personally, while I always liked the four, would prefer stock insurance. Now do not misunderstand me, I am not saying this for your benefit, but because I want to say this, that the stock companies have taken a more active step toward accident prevention than any of the other systems, so proving and working out our theory that a compensation law should bring about the elimination of accidents. I want to say that in studying and reading the pamphlets furnished by insurance companies, explaining their system of accident prevention, it has seemed to me that they worked upon a sound business basis, because they know that in competition among themselves and with other methods of insurance, they must furnish to the employer just as low a rate as is possible and they must also tell that employer if he wishes to get that lower rate, accidents must be prevented as much as possible. This carries out the real theory of a compensation law as understood by organized labor.

In closing I again desire to suggest your co-operation on your part with the working man. The American Federation of Labor will hold its next convention in November. Nearly every central body meets at least once a month. If my suggestion is meritorious and you can see your way clear, take your proposition up with the members of organized labor and I say you will be surprised at the reception you will receive. As one of your members said, the success of compensation insurance by stock companies lies with you yourself, and I want to say, in conclusion, the future of the politician lies with the working man.